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July 23, 2004

Ms. Jennifer J. Johnson
Secretary, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, N.W
Washington, DC 20551

Dear Ms. Johnson:

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Federal Reserve Board's (FRB) proposed study on debit card fees and the adequacy of the existing disclosures of such fees to consumers. GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 210 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

Background

Members of the Senate Banking, Housing and Urban Affairs Committee asked the FRB to study debit card fees imposed by financial institutions when their customers complete a point-of-sale debit transaction by providing their personal identification number (PIN) rather than a signature. In connection with the study, the FRB is soliciting comment on whether the existing disclosures required by the Electronic Fund Transfers Act (EFTA) effectively make consumers aware that they are charged a fee by their financial institution when they choose to use a PIN.

The FRB also seeks comments on the pros and cons of requiring additional disclosures to reflect such debit card fees in each periodic account activity statement, at the point-of-sale terminal, and at the initiation of an account.

This request for comment is one element of a broader study. In that study, the FRB will review the prevalence of debit card PIN-use fees and the feasibility of requiring real-time disclosure of such fees at the point of sale, among other issues.

The FRB requests comments on the extent to which these existing EFTA and Regulation E disclosures are adequate and effective in making consumers aware of the circumstances under which account holding institutions impose a fee, if applicable, when a consumer uses a debit card to make a purchase at point-of-sale.


Summary of GCUL's position.

GCUL supports full and accurate disclosure of any and all fees associated with accounts of consumers. In consideration of current cumulative disclosure requirements under the FRB Regulation E, however, it is our position that requiring additional disclosures would be an added obligation on financial institutions without noticeable benefit to consumers. It is our also our opinion that additional disclosures, either initial or on the periodic statements, would not be of measurable benefit to consumers.

If ultimately recommended by the FRB, however, it is our view that PIN-based fees should be disclosed in the same manner as other fees charged by financial institutions. For example, NSF or overdraft transfer fees are posted immediately after the item they are associated with. Aggregated fees make it difficult for the consumer to decipher which items triggered a fee. Additionally, we feel that only fees charged by the financial institution should identify a recipient. For example, on a \$20.00 purchase with a \$1 .00 fee charged by the merchant, the statement should reflect a \$21.00 debit. However, if the financial institution charges a fee, it should be disclosed separately following the item. If the fee is being charged by the merchant/owner of the POS terminal, it needs to be disclosed on the receipt and added to the charge. Fees charged to the consumer by the financial institution need not be on the receipt/terminal.

Thank you for the opportunity to comment on the proposed study regarding debit card fees and disclosures. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Ellis", is placed over a light gray rectangular background.

Richard Ellis
Vice President/Credit Union Development